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EMPLOYMENT GROWTH TAILS OFF, UNEMPLOYMENT FALLS, BUT NUMBER OF PEOPLE WHO ARE INACTIVE RISES

The ONS' latest labour market data showed employment growth tailing off. But much of this seems to be related to a rise in inactivity — overall, the labour market remains tight, with unemployment still at its lowest since 1975.

The employment rate remains at a record high, with employment growth similar to the relatively strong rates seen over most of 2017.

While nominal pay growth has edged higher, the tightness of the labour market has still not stimulated stronger and more sustained real wage growth.

Across the UK, regions and nations have seen a mixed picture in employment and in unemployment levels.

Separate data on workforce jobs revealed some variation in job creation across different sectors.

The employment rate is at a record high but growth tails off...

The rise in employment was mainly driven by an increase in those aged 50-64 and 64+ years old.

- Employment was largely flat (rising by just 3,000 to 32.40 million) in the three months to July 2018. But employment still grew strongly on a year-on-year basis, by 261,000.
- The employment rate was 75.5%, slightly lower than for February to April 2018 (75.6%), but higher than a year earlier (75.3%).
- Male employment increased by 30,000 on the quarter, while female employment decreased (-28,000). Both posted an increase year-on-year, with male employment rising by 145,000, and female employment by 117,000.
- Employment only grew in the groups aged 65+ years old (+38,000) and the group aged 50-64 years old

(+36,000). Employment fell for those aged 25-34 years old (-28,000), 35-48 years old (-23,000) and for those aged 16-24 years old (-18,000).

- The number of people working full-time increased by 100,000 over the quarter, while the number of people working part-time dropped by -98,000. On a year-on-year basis, the number of people working full-time increased by 263,000, while the number of part-time workers remained broadly unchanged (-2,000).
- In the three months to July 2018, the number of vacancies reached 833,000 (up by 14,000) on the previous three months and is now the joint highest since comparable records began in 2001.

Exhibit 1 Employment (000s)



Source: ONS September 2018 labour market statistics

Headline figures	Rate	Number (000s)	Change on quarter (% change)	Change on year (% change)
Employment* (ILO)	75.5%	32,397	+3,000 (+0%)	+261,000 (+0.8%)
Unemployment** (ILO)	4.0%	1,361	-55,000 (-3.9%)	- 95,000 (-6.5%)
Youth unemployment (16-24)	11.3%	488	-32,000 (-15.25%)	- 40,000 (-13.2%)

Source: ONS September 2018 labour market statistics, May to July 2018 data *Rate for those aged 16-64 **Rate for those aged 16 and over

...while unemployment continues to fall, but inactivity rate rises

While the unemployment rate remains at a record low inactivity has increased significantly on the previous quarter.

- The three months to July 2018 saw a drop in unemployment of 55,000 on the quarter (to 1.36 million). On a year-on-year basis, the number of unemployed people was down by 95,000.
- The unemployment rate was 4.0%, unchanged compared to last quarter and once again at the lowest level since 1975.
- While male unemployment fell by 47,000 in the three months to July, the number of unemployed women remained broadly unchanged (-8,000). However, unemployment still fell year-on-year for both groups: male unemployment declined by -69,000, and female unemployment by -26,000.
- The number of those registered as economically inactive (not available and/or looking for work) increased by 108,000 compared with the previous quarter and rose by 16,000 on a year earlier. This may explain the tailing off in employment growth seen in the three months to July.
- The inactivity rate is now at 21.2% for the three months to July 2018, up by 0.2% points on the quarter.

Regions saw a mixed picture in employment...

This quarter saw an increase in employment in some regions—with the greatest increase in the North West and the West Midlands.

- In the three months to July 2018, employment grew in the North West (+48,000), the West Midlands (+37,000) and in Wales (+31,000).
- It declined in the South East (-35,000), North East (-34,000), in the East Midlands (-25,000) and in Yorkshire and the Humber (-12,000).
- And remained broadly unchanged in London (+5,000), Northern Ireland (+4,000), the South West (-1,000), the East (-6,000) and Scotland (-9,000).

... and in unemployment

- The North West and South East saw a rise in unemployment (of +18,000 and +16,000 respectively).
- Meanwhile unemployment fell in London (-24,000), the South West (-22,000), the East (-17,000) and the West Midlands (-15,000).
- There was no significant change elsewhere: Northern Ireland (+6,000), East Midlands (0), Yorkshire and the Humber (-2,000), the North East (-3,000), Scotland (-6,000) and Wales (-8,000).

Pay growth edges higher

Nominal regular pay growth ticked up marginally. In the private sector, construction saw the strongest nominal regular pay growth in the three months to July followed by wholesaling.

- Nominal regular pay growth (excl. bonuses and before adjusting for inflation) was 2.9% on the year in the three months to July 2018, up by 0.2% pts on June.

Exhibit 2 Unemployment (%)



Source: ONS September 2018 labour market statistics

Exhibit 3 Employment change by regions & nations (000s)



Source: ONS September 2018 labour market statistics

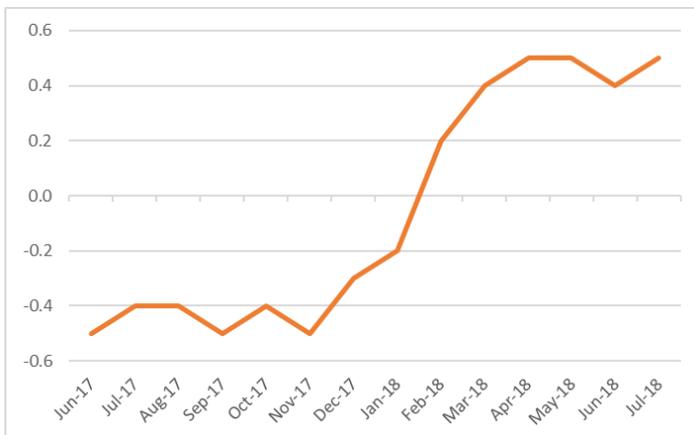
Exhibit 4 Unemployment change by regions & nations (000s)



Source: ONS September 2018 labour market statistics

- Nominal regular pay growth rose by 0.2% in the private sector and (to 3%, the highest since the end of 2016) and by 0.1% in the public sector (to 2.4%) in the three months to July 2018.
- Looking at the private sector in more detail, the construction sector continues to have the strongest nominal regular pay growth in the three months to July 2018 (+5.2% - nonetheless down by 0.4% on the previous rolling quarter), followed by wholesaling (+3.5% - up by 0.8%), services (+2.8% - up by 0.2%), manufacturing (+2.4% - unchanged) and finance (+2.2% - down by 0.1%).
- Real regular pay (excl. bonuses and adjusting for CPIH inflation) increased by 0.5% on a year ago (on the less volatile three-month rolling basis) - with growth still weak relative to pre-crisis norms.

Exhibit 5 Real regular pay growth (%)

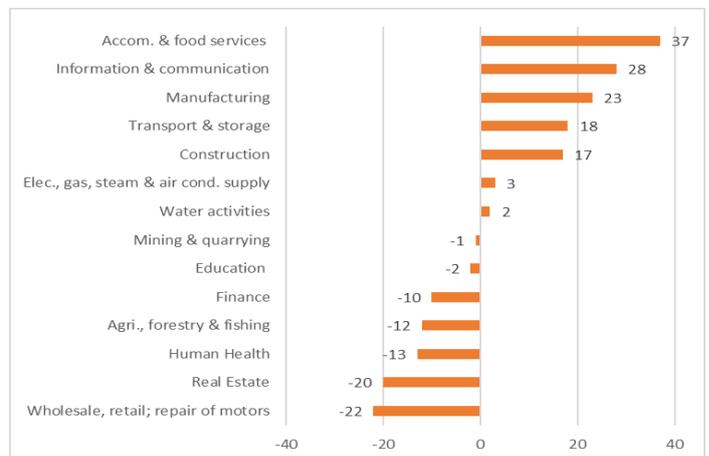


Source: ONS September 2018 labour market statistics

Workforce jobs data shows mixed trend across sectors

- Other data showed that the accommodation & food services industry (+37,000) and the information & communication sector (+28,000) registered the largest increase in workforce jobs in the three months to July 2018. They were followed by manufacturing (+23,000), transport and storage (+18,000) and the construction sector (+17,000).
- The wholesale sector saw the biggest decline (-22,000) on the quarter, followed by real estate (-20,000), human health and social work (-13,000) and agriculture and forestry (-12,000). All other sectors have remained broadly unchanged.
- Looking at the change in jobs on a year ago, wholesale, manufacturing and accommodation and food services have seen significant changes. Workforce jobs in wholesale decreased by -73,000 with manufacturing and accommodation and food services increasing by 32,000 and 30,000 respectively.

Exhibit 6 Change in workforce jobs by industry (000s)



The next labour market update will be published on **16th October 2018.**



For further information or a copy in large text format, please contact:

Anna Koch
Policy Adviser
T: 44 (0)20 7395 8107
E: anna.koch@cbi.org.uk

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Kevin Cooke
Head of PR and Communications
T: 01676 525250
E: Kevin.Cooke@pertemps.co.uk
W: <http://www.pertemps.co.uk/>